



STATE OF WISCONSIN

Department of Employee Trust Funds

Eric O. Stanchfield

Secretary

801 West Badger Road

P.O. Box 7931

Madison, WI 53707-7931

April 11, 2001

The Honorable Rodney Moen
Chair, Senate Committee on Health, Utilities, Veterans and Military Affairs
8 South, State Capitol
P.O. Box 7882
Madison, WI 53707-7882

Re: Private Employer Health Care Coverage Program Budget Amendment

Dear Senator Moen:

On behalf of the Department of Employee Trust Funds and the Office of Private Employer Health Care Coverage, I would like to extend our appreciation for the support you and the members of the Senate Committee on Health, Utilities, Veterans and Military Affairs have provided in pursuing beneficial changes to the Private Employer Health Care Coverage Program.

As you are aware, in addition to the necessary structural changes included in Senate Bill 81, we are also requesting resources under s. 13.101 to enable the Department to contract for legal and actuarial-related services for the program for the remainder of the 2001 fiscal year. The resources represent a short-term approach to keep the program moving forward toward implementation and continue our efforts to secure a third-party administrator.

As indicated in our agency briefing on the biennial budget to the Joint Committee on Finance, additional funding is necessary for 2001-2003 to continue staff operations and to allow the program to become operational. Therefore, we will be seeking an amendment to our biennial budget to provide salaries and supplies and services for the 3.5 FTE positions authorized in the last biennial budget, legal and actuarial-related consulting services, and contractual resources for marketing development and promotion of the program. Total estimated costs for fiscal year 2002 are \$1,097,600 GPR, of which \$257,100 is for internal Department operations and \$840,500 GPR is to contract with private vendors for legal, actuarial-related and marketing services.ⁱ Total estimated costs for fiscal year 2003 are \$794,500, of which \$537,100 is to continue contractual services and the remainder is for internal program operating costs.

The Department will be requesting the full resources of \$1,097,600 GPR for fiscal year 2002, as the program will not yet be operational. However, for fiscal year 2003, the Department anticipates it will require only \$397,300 GPR due to the offset of premiums collected and the level of participation projected for the program. This assumes the program will be able to attain a projected enrollment of 21,000 employees by the end of

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fiscal year 2003 and will make progress towards full self-sufficiency by the beginning of fiscal year 2004. A substantially lower enrollment would require additional GPR in fiscal year 2004. A detailed summary of the 2001-2003 administrative and marketing costs of the program is attached.

We all recognize that small employers and farmers face unique barriers in the health insurance market. The Private Employer Health Care Coverage Program, while it will not be able to remove these barriers for everyone, does represent an innovative public/private approach to addressing these issues. The structural changes contained in SB 81 combined with full funding of the program's budget request represent key elements necessary to implement this program.

We appreciate the support of the Senate Committee on Health, Utilities, Veterans and Military Affairs as our request for funding of the program in the 2001-2003 biennium proceeds. Members of my staff are available to answer any questions and provide more detailed information about the budget proposal at your convenience.

Thank you for your continued support of the Private Employer Health Care Program.

Sincerely,

Eric O. Stanchfield
Secretary

Attachment

cc: Members, Senate Committee on Health, Utilities, Veterans and Military Affairs
Private Employer Health Care Coverage Board

ⁱ Actuarial service costs were based on the low end of the range estimated by Deloitte-Touche actuaries for this type of consulting. Marketing costs were based on actual expenditures from the Strategic Marketing Plan for BadgerCare.